

Annual Report 2020

Tongala & District Financial
Services Limited

Community Bank
Tongala & District

ABN 22 094 331 665

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Chairman's report

If the year 2018/19 was a challenge for Tongala & District Financial Services Limited, the challenge has been even greater during the financial year ending June 2020. Coronavirus is with climate change, not only to the banking industry, but to mankind, two of the greatest challenges yet faced by Australia and the world.

Regionally we have been spared the worst of the pandemic with the farming sector being cushioned from the effects of COVID-19 by one of the best starts to the season for 8 years. Good autumn rains have been followed by an ideal winter, warm with follow-up falls which have resulted in the country looking better than it has for some time. Despite the effects of the pandemic and the preceding dry spell the bank footings remain at a healthy \$62 million.

At Community Bank Tongala, like our contemporaries on the land, we will be trying to make hay while the sun shines. Our motivated team lead capably by Manager Kevin Livingston and Jenny Johnson with Kate Nunn, Hannah Tuxworth, Morgan Madill and Leanne Cuffe have adapted the Bank's structure and operation to function admirably within the pandemic environment.

Paige Wade has been a welcome addition to the Board of Tongala & District Financial Services Limited replacing Michelle Baker who resigned last year and Jill Regan who filled the role during the interim. We thank both Michelle and Jill for their time and energy. What was lost by the departure of Karen Palmer as customer service officer has been more than recouped with Karen's appointment to the Board. Both Paige and Karen bring to the table numerous skills and youthful enthusiasm.

I must say I was enamoured by the attitude of the good people of Mathoura who, after their Agency was closed due to COVID-19 by Murray River Council, demanded that Council re-open the facility. I take my hat off to you! We thank Council for the re-opening the Agency and we thank Julie, Brendan Cherie and Pauline at the Agency for time and effort. Unfortunately, Karen Wharton, who has been with us since the Agency's inception, has resigned to take up a fresh challenge, well done and thanks Karen!

Coronavirus has put paid to most community events and winter sporting activities within the region which has restricted the exposure of Community Bank Tongala. However, we have been active supporting other community projects. The former Branch Manager's car was donated to Tongala Community Activities Centre as a Community Car, \$10,000 was invested in the upgrade of the scoreboard at Tongala Recreation Reserve and our support of the After School Mentoring Program at the Centre continues, COVID-19 permitting.

The upgrade to Kyvalley Tennis Courts which we agreed to support last financial year has finally met all the criteria and has been commenced. The 3rd Cavalry Regiment (Vietnam) Association's upgrade to the Avenue of Honour in Tongala was given the green light and has also commenced. The proposal by Mathoura Pre-School to replace their shade sails has also been approved. All these projects are being funded via the Community Enterprise Foundation.

Community Bank Tongala awarded a Tertiary Scholarship for 2020 also funded through the CEF, this year's recipient was Lauren Pyke. Lauren is studying to become a chiropractor, a 5 year course, at

RMIT. We will continue to offer scholarships to assist the youth on the community in the years to come.

The Board of Tongala & District Financial Services Limited has named its tertiary scholarship the Richard Herbert Tertiary Scholarship in honour of the Company's first Chairman.

Community Bank Tongala was to celebrate its 20th birthday this on December 11th, 2020 unfortunately, COVID-19 has put paid to that. We are planning to hold, in its stead, a 21st Birthday celebration next year.

John Bentley
Chairman

Manager's report

For year ending 30 June 2020

It is with pleasure that I submit my annual Branch Manager's report for the Community Bank Tongala for the 2019-2020 financial year.

All businesses have witnessed significant impacts as a result of COVID-19 and our community bank is no different. Challenges have included the erosion of profits due to historically low interest rates, however, despite this, we have been able to achieve some key goals in the past 12 months. We pride ourselves on providing excellent customer service as well as important support to our local communities.

Our total business footings of more than \$62 million is proof of the fantastic support we receive from the Tongala and district community and great business management by our board to navigate such challenges.

If you are not yet a customer, we really need you to consider supporting our Community Bank. Under our model of banking, your contribution makes a real difference, helping to fund local projects and initiatives.

To my staff – Jenny, Hannah, Kate, and Morgan – a very big thank you and another job well done. I would also like to thank Julie and the team at the Mathoura agency for their ongoing support in helping us continue to build our business.

I would again like to acknowledge our board members who are great advocates for our Community Bank and continue to volunteer their time. A special thanks to our board chairman John for his ongoing support, assistance, and commitment to our cause.

We look forward to the year ahead and to some exciting events happening both in our business and our communities.

All of us at the Community Bank Tongala value your continued support of our business and all businesses in our community. Your endorsement of our businesses invests so much into the Tongala and district community.

Thank you,

Kevin Livingston
Branch manager

Tongala & District Financial Services Limited

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year are:

John Charles Bentley

Chairperson

Occupation: Retired

Qualifications, experience and expertise: Water Industry employee for 28 years. Member of Club, League and Recreational Reserve Committees for 27 years.

Special responsibilities: Business Development Committee

Interest in shares: 1,000 ordinary shares

Jill Maree Regan

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Board Member - Tongala & District Memorial Aged Care.

Special responsibilities: Business Development Committee

Interest in shares: 2,000 ordinary shares

Lynette Dawn Cosham

Secretary

Occupation: Retired

Qualifications, experience and expertise: Previously was Administration Officer for the Shire.

Special responsibilities: Governance Committee

Interest in shares: 1,000 ordinary shares

Gregory James Rossborough

Non-executive director

Occupation: Semi-retired

Qualifications, experience and expertise: Previously Corporate Westpac Manager (26 years). General Manager in Licenced Club industry (20 years). Treasurer Tongala Football Netball Club.

Special responsibilities: Finance, Budget, Shares and Audit Sub Committee and Strategies, Procedures and H.R Sub Committee.

Interest in shares: nil share interest held

Paige Hannah Wade

Non-executive director (appointed 26 February 2020)

Occupation: Accountant

Qualifications, experience and expertise: Paige is a Senior accountant at Stubberfield Group. Paige holds a Bachelor of Commerce majoring in Accounting, Certified Practising Certificate III in Agriculture. She is the past treasurer and a current coach and member of the Tongala Football Netball Club.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Karen Maree Palmer

Non-executive director (appointed 1 April 2020)

Occupation: Coordinator / Manager

Qualifications, experience and expertise: Previous CSO at bank - Tongala Community Bank. Current 'CERT' First Responder.

Currently employed TCAC - co-ordinator. Other current directorships include Tongala Health - Governance Committee.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: nil share interest held

Tongala & District Financial Services Limited

Directors' Report

Directors (continued)

Deidre Edwina Madill

Non-executive director (resigned 26 August 2020)

Occupation: Governance Officer

Qualifications, experience and expertise: Deidre is a Government employee professional with a diverse range of experience in management and administration. Her knowledge in the area of governance has been a significant contribution to each of her roles. Deidre holds a Cert IV in Training and Assessment and a Diploma of Management. Advocating on behalf of communities remains her real passion.

Special responsibilities: Sponsorship Committee and Governance Committee

Interest in shares: nil share interest held

Neil William Pankhurst

Non-executive director (resigned 27 November 2019)

Occupation: Consultant

Qualifications, experience and expertise: Campaspe Shire Councillor for 10 years. Goulburn Murray Water Board member for 4 years. Life member Tongala Apex Club. Dairy farmer for 25 years.

Special responsibilities: Finance and Business Development Committees

Interest in shares: 1,500 ordinary shares

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the company.

Company Secretary

There have been four company secretaries holding the position during the financial year:

- Paige Wade was appointed company secretary on 26 February 2020.
- Jill Maree Regan was appointed company secretary on 4 September 2019 and ceased on 26 February 2020.
- Lynette Dawn Cosham was appointed company secretary on 15 July 2019 and ceased on 4 September 2019.
- Michelle Louise Baker was appointed company secretary on 15 December 2017 and ceased on 15 July 2019.

Qualifications, experience and expertise: Paige is a Senior accountant at Stubberfield Group. Paige holds a Bachelor of Commerce majoring in Accounting, Certified Practising Certificate III in Agriculture. She is the past treasurer and a current coach and member of the Tongala Football Netball Club.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
15,559	26,803

Tongala & District Financial Services Limited

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
John Charles Bentley	1,000	-	1,000
Jill Maree Regan	2,000	-	2,000
Lynette Dawn Cosham	1,000	-	1,000
Gregory James Rossborough	-	-	-
Paige Hannah Wade	-	-	-
Karen Maree Palmer	-	-	-
Deidre Edwina Madill	-	-	-
Neil William Pankhurst	1,500	-	1,500

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount \$
Final fully franked dividend	6.00	20,481
Total amount	<u>6.00</u>	<u>20,481</u>

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Tongala & District Financial Services Limited

Directors' Report

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the financial year were:

	Board Meetings Attended		Committee Meetings Attended					
			Marketing & Sponsorship		Finance		Business Development	
	E	A	E	A	E	A	E	A
John Charles Bentley	11	10	5	5	11	11	6	6
Jill Maree Regan	11	11	-	-	-	-	-	-
Lynette Dawn Cosham	11	10	-	-	-	-	-	-
Gregory James Rossborough	11	11	-	-	11	11	6	6
Paige Hannah Wade	5	5	-	-	5	5	5	5
Karen Maree Palmer	5	5	5	5	-	-	-	-
Deidre Edwina Madill	11	5	5	4	-	-	-	-
Neil William Pankhurst	4	3	-	-	-	-	-	-

E - eligible to attend

A - number attended

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Tongala & District Financial Services Limited

Directors' Report

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 25.

The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the directors at Tongala, Victoria.



John Charles Bentley, Chair

Dated this 14th day of September 2020

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Tongala & District Financial Services Limited

As lead auditor for the audit of Tongala & District Financial Services Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 14 September 2020



Joshua Griffin
Lead Auditor

Tongala & District Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	489,062	543,952
Other revenue	9	60,907	38,687
Finance income	10	1,774	3,481
Employee benefit expenses	11e)	(285,617)	(270,751)
Charitable donations, sponsorship, advertising and promotion	11c)	(62,123)	(56,696)
Occupancy and associated costs		(10,755)	(20,109)
Systems costs		(17,112)	(18,340)
Depreciation and amortisation expense	11a)	(20,055)	(17,052)
Finance costs	11b)	(807)	(2,204)
General administration expenses		(142,182)	(163,673)
Profit before income tax (expense)/credit		13,092	37,295
Income tax (expense)/credit	12a)	2,467	(10,492)
Profit after income tax (expense)/credit		15,559	26,803
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		15,559	26,803
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	4.56	7.85

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	189,243	235,383
Trade and other receivables	14a)	38,509	75,966
Current tax assets	17a)	5,545	8,977
Total current assets		233,297	320,326
Non-current assets			
Property, plant and equipment	15a)	195,292	138,935
Intangible assets	16a)	71,740	18,260
Deferred tax asset	17b)	3,897	1,429
Total non-current assets		270,929	158,624
Total assets		504,226	478,950
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	95,126	44,403
Loans and borrowings	19a)	4,605	15,684
Employee benefits	20a)	14,063	19,681
Total current liabilities		113,794	79,768
Non-current liabilities			
Loans and borrowings	19b)	-	3,678
Employee benefits	20b)	1,894	2,044
Total non-current liabilities		1,894	5,722
Total liabilities		115,688	85,490
Net assets		388,538	393,460
EQUITY			
Issued capital	21a)	341,350	341,350
Retained earnings	22	47,188	52,110
Total equity		388,538	393,460

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018		341,350	49,202	390,552
Total comprehensive income for the year		-	26,803	26,803
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27a)	-	(23,895)	(23,895)
Balance at 30 June 2019		341,350	52,110	393,460
Balance at 1 July 2019		341,350	52,110	393,460
Total comprehensive income for the year		-	15,559	15,559
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	27a)	-	(20,481)	(20,481)
Balance at 30 June 2020		341,350	47,188	388,538

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		606,536	646,438
Payments to suppliers and employees		(554,049)	(594,084)
Interest received		3,318	5,015
Interest paid		(807)	(2,204)
Income taxes refunded/(paid)		(573)	457
Net cash provided by operating activities	23	54,425	55,622
Cash flows from investing activities			
Payments for property, plant and equipment		(65,327)	(15,997)
Net cash used in investing activities		(65,327)	(15,997)
Cash flows from financing activities			
Repayment of loans and borrowings		(14,757)	(13,708)
Dividends paid	27a)	(20,481)	(23,895)
Net cash used in financing activities		(35,238)	(37,603)
Net cash increase/(decrease) in cash held		(46,140)	2,022
Cash and cash equivalents at the beginning of the financial year		235,383	233,361
Cash and cash equivalents at the end of the financial year	13a)	189,243	235,383

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for Tongala & District Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
35 Mangan Street Tongala VIC 3621	35 Mangan Street Tongala VIC 3621

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 26.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 14 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) was applicable from 1 July 2019. The impact of applying AASB 16 has been assessed as insignificant by the company.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

b) Other revenue (*continued*)

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

During the financial year, in response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

c) Economic dependency - Bendigo Bank (*continued*)

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	10 to 40 years
Plant and equipment	Straight-line	5 to 10 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and borrowings.

Sub-note i) and j) refer to the following acronyms:

<u>Acronym</u>	<u>Meaning</u>
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

i) Financial instruments (*continued*)

Classification and subsequent measurement (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of customer base, appropriate groupings of its historical loss experience etc.).

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (*continued*)

j) Impairment (*continued*)

Non-derivative financial assets (continued)

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

k) Issued capital

Ordinary shares

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Leases

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

m) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5 Significant accounting judgements, estimates, and assumptions *(continued)*

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 8 - revenue recognition	estimate of expected returns;
- Note 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company maintains the following lines of credit with Bendigo Bank:

- \$4,605 commercial loan facility secured by the company's assets. Interest is payable at a rate of 5.64% (2019: 8.57%)

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	4,605	4,605	-	-
Trade payables	21,600	21,600	-	-
	<u>26,205</u>	<u>26,205</u>	<u>-</u>	<u>-</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	19,362	15,684	3,678	-
Trade payables	33,343	33,343	-	-
	<u>52,705</u>	<u>49,027</u>	<u>3,678</u>	<u>-</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (*continued*)

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of \$189,243 at 30 June 2020 (2019: \$235,383). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive income.

There were no changes in the company's approach to capital management during the year.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8 Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

<i>Revenue from contracts with customers</i>	2020	2019
	\$	\$
Revenue:		
- Revenue from contracts with customers	489,062	543,952
	<u>489,062</u>	<u>543,952</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	408,300	458,270
- Fee income	49,600	49,853
- Commission income	31,162	35,829
	<u>489,062</u>	<u>543,952</u>

There was no revenue from contracts with customers recognised over time during the financial year.

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and the cash flow boost from the Australian Government.

<i>Other revenue</i>	2020	2019
	\$	\$
Revenue:		
- Market development fund income	37,500	37,500
- Cash flow boost	22,959	-
- Other income	448	1,187
	<u>60,907</u>	<u>38,687</u>

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	2020	2019
	\$	\$
At amortised cost:		
- Term deposits	1,774	3,481
	<u>1,774</u>	<u>3,481</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	3,814	2,409
- Plant and equipment	4,944	3,346
	8,758	5,755
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,260	2,260
- Franchise renewal process fee	9,037	9,037
	11,297	11,297
Total depreciation and amortisation expense	20,055	17,052

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

b) Finance costs	2020 \$	2019 \$
<i>Finance costs:</i>		
- Bank loan interest paid or accrued	807	2,204
	807	2,204

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	Note	2020 \$	2019 \$
- Direct sponsorship, advertising, and promotion payments		62,123	56,696
		62,123	56,696

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (continued)

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

Disaggregation of CEF funds

	2020	2019
	\$	\$
Opening balance	79,577	80,045
Grants paid out	(23,824)	(2,000)
Interest received	994	1,532
Balance available for distribution	<u>56,747</u>	<u>79,577</u>

e) Employee benefit expenses

Wages and salaries	248,131	234,608
Contributions to defined contribution plans	30,116	28,084
Expenses related to long service leave	(4,080)	1,747
Other expenses	11,450	6,312
	<u>285,617</u>	<u>270,751</u>

f) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020	2019
	\$	\$
Expenses relating to low-value leases	5,182	-
	<u>5,182</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss	2020	2019
	\$	\$
<i>Current tax expense/(credit)</i>		
- Current tax	-	7,043
- Future income tax benefit attributable to losses	(5,801)	-
- Movement in deferred tax	3,109	3,449
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	225	-
	(2,467)	10,492

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$225 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2020	2019
	\$	\$
Operating profit before taxation	13,092	37,295
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	3,600	10,257
Tax effect of:		
- Non-deductible expenses	23	235
- Temporary differences	(3,110)	(3,449)
- Other assessable income	(6,314)	-
- Movement in deferred tax	3,109	3,449
- Under/(over) provision of income tax in the prior year	225	-
	(2,467)	10,492

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020	2019
	\$	\$
- Cash at bank and on hand	33,790	29,921
- Term deposits	155,453	205,462
	189,243	235,383

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14 Trade and other receivables

	2020	2019
	\$	\$
a) Current assets		
Trade receivables	35,190	38,636
Prepayments	3,319	929
Other receivables and accruals	-	36,401
	<u>38,509</u>	<u>75,966</u>

Note 15 Property, plant and equipment

	2020	2019
	\$	\$
a) Carrying amounts		
<i>Land</i>		
At cost	33,155	33,155
	<u>33,155</u>	<u>33,155</u>
<i>Buildings</i>		
At cost	148,125	96,358
Less: accumulated depreciation	(6,308)	(8,910)
	<u>141,817</u>	<u>87,448</u>
<i>Plant and equipment</i>		
At cost	149,221	142,559
Less: accumulated depreciation	(128,901)	(124,227)
	<u>20,320</u>	<u>18,332</u>
<i>Motor vehicles</i>		
At cost	20,894	20,894
Less: accumulated depreciation	(20,894)	(20,894)
	<u>-</u>	<u>-</u>
Total written down amount	<u>195,292</u>	<u>138,935</u>

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

	2020	2019
	\$	\$
b) Reconciliation of carrying amounts		
<i>Land</i>		
Carrying amount at beginning	33,155	33,155
Carrying amount at end	<u>33,155</u>	<u>33,155</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Property, plant and equipment (*continued*)

b) Reconciliation of carrying amounts (<i>continued</i>)	2020 \$	2019 \$
<i>Buildings</i>		
Carrying amount at beginning	87,448	89,857
Additions	117,595	-
Disposals	(59,412)	-
Depreciation	(3,814)	(2,409)
Carrying amount at end	<u>141,817</u>	<u>87,448</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	18,332	5,681
Additions	7,834	15,997
Disposals	(902)	-
Depreciation	(4,944)	(3,346)
Carrying amount at end	<u>20,320</u>	<u>18,332</u>
Total written down amount	<u>195,292</u>	<u>138,935</u>

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 16 Intangible assets

a) Carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	72,093	61,297
Less: accumulated amortisation and impairment	(59,905)	(57,645)
	<u>12,188</u>	<u>3,652</u>
<i>Franchise renewal process fee</i>		
At cost	99,168	45,187
Less: accumulated amortisation and impairment	(39,616)	(30,579)
	<u>59,552</u>	<u>14,608</u>
Total written down amount	<u>71,740</u>	<u>18,260</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Intangible assets (continued)

b) Reconciliation of carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
Carrying amount at beginning	3,652	5,912
Additions	10,796	-
Amortisation	(2,260)	(2,260)
Carrying amount at end	<u>12,188</u>	<u>3,652</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	14,608	23,645
Additions	53,981	-
Amortisation	(9,037)	(9,037)
Carrying amount at end	<u>59,552</u>	<u>14,608</u>
Total written down amount	<u>71,740</u>	<u>18,260</u>

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

Note 17 Tax assets and liabilities

a) Current tax	2020 \$	2019 \$
Income tax refundable	<u>(5,545)</u>	<u>(8,977)</u>

b) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019 \$	Recognised in profit or loss \$	30 June 2020 \$
<i>Deferred tax assets</i>			
- expense accruals	798	604	1,402
- employee provisions	5,974	(1,825)	4,149
- carried-forward tax losses	-	5,485	5,485
Total deferred tax assets	<u>6,772</u>	<u>4,264</u>	<u>11,036</u>
<i>Deferred tax liabilities</i>			
- income accruals	301	(301)	-
- property, plant and equipment	5,042	2,097	7,139
Total deferred tax liabilities	<u>5,343</u>	<u>1,796</u>	<u>7,139</u>
Net deferred tax assets (liabilities)	<u>1,429</u>	<u>2,468</u>	<u>3,897</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 Tax assets and liabilities (continued)

b) Deferred tax (continued)

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	30 June 2019
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	908	(110)	798
- employee provisions	5,929	45	5,974
Total deferred tax assets	<u>6,837</u>	<u>(65)</u>	<u>6,772</u>
<i>Deferred tax liabilities</i>			
- income accruals	397	(96)	301
- property, plant and equipment	1,562	3,480	5,042
Total deferred tax liabilities	<u>1,959</u>	<u>3,384</u>	<u>5,343</u>
Net deferred tax assets (liabilities)	<u>4,878</u>	<u>(3,449)</u>	<u>1,429</u>

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 18 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities	2020	2019
	\$	\$
Trade creditors	21,600	33,343
Other creditors and accruals	73,526	11,060
	<u>95,126</u>	<u>44,403</u>

Note 19 Loans and borrowings

a) Current liabilities	2020	2019
	\$	\$
Secured bank loans	4,605	15,684
	<u>4,605</u>	<u>15,684</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19 Loans and borrowings (continued)

b) Non-current liabilities	2020 \$	2019 \$
Secured bank loans	-	3,678
	<u>-</u>	<u>3,678</u>

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	5.64%	Floating	4,605	4,605	19,362	19,362

Note 20 Employee benefits

a) Current liabilities	2020 \$	2019 \$
Provision for annual leave	11,535	12,303
Provision for long service leave	2,528	7,378
	<u>14,063</u>	<u>19,681</u>

b) Non-current liabilities

Provision for long service leave	1,894	2,044
	<u>1,894</u>	<u>2,044</u>

c) Key judgement and assumptions

Employee attrition rates

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 21 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	341,350	341,350	341,350	341,350
	<u>341,350</u>	<u>341,350</u>	<u>341,350</u>	<u>341,350</u>

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Issued capital (*continued*)

b) Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community bank branch have the same ability to influence the operation of the company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 22 Retained earnings

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		52,110	49,202
Net profit after tax from ordinary activities		15,559	26,803
Dividends provided for or paid	27a)	(20,481)	(23,895)
Balance at end of reporting period		47,188	52,110

Note 23 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	15,559	26,803
Adjustments for:		
- Depreciation	8,758	5,755
- Amortisation	11,297	11,297
- (Profit)/loss on disposal of non-current assets	212	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	37,458	(25,345)
- (Increase)/decrease in other assets	964	10,949
- Increase/(decrease) in trade and other payables	(14,055)	25,999
- Increase/(decrease) in employee benefits	(5,768)	164
Net cash flows provided by operating activities	54,425	55,622

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	35,190	75,037
Cash and cash equivalents	13	33,790	29,921
Term deposits	13	155,453	205,462
		<u>224,433</u>	<u>310,420</u>
Financial liabilities			
Trade and other payables	18	21,600	33,343
Secured bank loans	19	4,605	19,362
		<u>26,205</u>	<u>52,705</u>

Note 25 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	5,700
	<u>4,800</u>	<u>5,700</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,400	1,730
- General advisory services	4,090	6,080
- Valuation services	3,500	3,000
	<u>8,990</u>	<u>10,810</u>
Total auditor's remuneration	<u>13,790</u>	<u>16,510</u>

Note 26 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

John Charles Bentley
 Jill Maree Regan
 Lynette Dawn Cosham
 Gregory James Rossborough
 Paige Hannah Wade
 Karen Maree Palmer
 Deidre Edwina Madill
 Neil William Pankhurst

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26 Related parties (continued)

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

<i>Transactions with related parties</i>	2020 \$	2019 \$
- Paige Wade provided the company with secretarial and board support services. The total benefit received was:	2,400	-
- Greg Rossborough provided the company bookkeeping services. The total benefit received was:	8,400	8,400
Total transactions with related parties	10,800	8,400

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2020 (2019: \$nil).

Note 27 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	6.00	20,481	7.00	23,895
Total dividends provided for and paid during the financial year	6.00	20,481	7.00	23,895

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

Tongala & District Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27 Dividends provided for or paid (continued)

a) Franking account balance	2020 \$	2019 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	92,268	105,793
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	9,550	22,544
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(8,977)	(27,006)
- Franking debits from the payment of franked distributions	(7,769)	(9,063)
Franking account balance at the end of the financial year	<u>85,072</u>	<u>92,268</u>
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(5,545)	(8,977)
Franking credits available for future reporting periods	<u><u>79,527</u></u>	<u><u>83,291</u></u>

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

Note 28 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	<u>15,559</u>	<u>26,803</u>
	Number	Number
Weighted-average number of ordinary shares	<u>341,350</u>	<u>341,350</u>
	Cents	Cents
Basic and diluted earnings per share	<u><u>4.56</u></u>	<u><u>7.85</u></u>

Note 29 Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 30 Contingencies

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 31 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Tongala & District Financial Services Limited

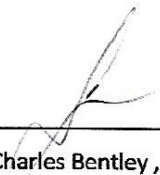
Directors' Declaration

In accordance with a resolution of the directors of Tongala & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



John Charles Bentley , Chair

Dated this 14th day of September 2020

Independent auditor's report to the members of Tongala & District Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Tongala & District Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Tongala & District Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 14 September 2020



Joshua Griffin
Lead Auditor

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 **Bendigo Bank**